



AN ACT PROVIDING THAT FARM IMPLEMENTS OR CONSTRUCTION EQUIPMENT THAT IS RENTED UNDER A PURCHASE INCENTIVE RENTAL PROGRAM IS CONSIDERED BUSINESS INVENTORY FOR THE PURPOSE OF EXEMPTION FROM PROPERTY TAXATION; REQUIRING THAT PROPERTY MUST MEET CERTAIN CONDITIONS TO QUALIFY AS PURCHASE INCENTIVE RENTAL PROGRAM PROPERTY; AMENDING SECTIONS 15-6-138, 15-6-202, AND 15-24-301, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-6-138, MCA, is amended to read:

"15-6-138. Class eight property -- description -- taxable percentage. (1) Class eight property includes:

- (a) all agricultural implements and equipment that are not exempt under 15-6-207 or 15-6-220;
- (b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-219, and supplies except those included in class five under 15-6-135;
- (c) all oil and gas production machinery, fixtures, equipment, including pumping units, oil field storage tanks, water storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas metering shacks, treaters, gas separators, water flood units, gas boosters, and similar equipment that is skidable, portable, or movable, tools that are not exempt under 15-6-219, and supplies except those included in class five;
- (d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools and personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk processors as provided in 15-6-220, and supplies except those included in class five;
- (e) all goods and equipment that are intended for rent or lease, except goods and equipment that are specifically included and taxed in another class or that are rented under a purchase incentive rental program as defined in 15-6-202(4);

- (f) special mobile equipment as defined in 61-1-101;
- (g) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section;
- (h) x-ray and medical and dental equipment;
- (i) citizens' band radios and mobile telephones;
- (j) radio and television broadcasting and transmitting equipment;
- (k) cable television systems;
- (l) coal and ore haulers;
- (m) theater projectors and sound equipment; and
- (n) all other property that is not included in any other class in this part, except that property that is subject to a fee in lieu of a property tax.

(2) As used in this section, the following definitions apply:

(a) ~~"coal~~ "Coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds an axle and that are primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.

~~(3)~~(b) "Commercial establishment" includes any hotel, motel, office, petroleum marketing station, or service, wholesale, retail, or food-handling business.

~~(4)~~(3) Class eight property is taxed at 3% of its market value.

~~(5)~~(4) The class eight property of a person or business entity that owns an aggregate of \$20,000 or less in market value of class eight property is exempt from taxation."

Section 2. Section 15-6-202, MCA, is amended to read:

"15-6-202. Freeport merchandise and business inventories exemption -- definitions. (1) Freeport merchandise and business inventories are exempt from taxation.

(2) (a) "Freeport merchandise" means ~~those~~ stocks of merchandise manufactured or produced outside this state that are in transit through this state and consigned to a warehouse or other storage facility, public or private, within this state for storage in transit prior to shipment to a final destination outside the state and that have acquired a taxable situs within the state.

~~(3)~~(b) Stocks of merchandise do not lose their status as freeport merchandise because while in the

storage facility they are assembled, bound, joined, processed, disassembled, divided, cut, broken in bulk, relabeled, or repackaged.

~~(4)(c) Any A person or other group seeking to qualify its the person's property for inclusion in the as~~
~~freeport merchandise class shall make application to the department of revenue in the manner or form as may~~
~~be required prescribed by the department.~~

~~(5)(3) (a) "Business inventories" includes include goods primarily intended for sale and not for lease in~~
~~the ordinary course of business and raw materials and work in progress with respect to those goods. Business~~
~~Except for farm implements and construction equipment described in subsection (3)(b), business inventories do~~
~~not include goods that are leased or rented.~~

~~(b) Business inventories include farm implements, as defined in 30-11-801, or construction equipment,~~
~~as defined in 30-11-901, that are held pursuant to a purchase incentive rental program.~~

~~(4) (a) For the purpose of subsection (3)(b), "purchase incentive rental program" means a program~~
~~operated by a dealer of farm implements, as defined in 30-11-801, or a dealer of construction equipment, as~~
~~defined in 30-11-901, where the farm implement or construction equipment is owned by the dealership, held for~~
~~sale, and rented to a single user of the farm implement or construction equipment as an incentive for the~~
~~purchase of the property.~~

~~(b) A purchase incentive rental program does not include a farm implement or construction equipment~~
~~that is:~~

~~(i) rented to a person for more than 9 months;~~

~~(ii) rented more than once to the same person; or~~

~~(iii) not owned by a farm implement dealership or construction equipment dealership.~~

~~(c) All farm implements and construction equipment in a purchase incentive rental program must be~~
~~reported to the department each calendar quarter on a form provided by the department."~~

Section 3. Section 15-24-301, MCA, is amended to read:

"15-24-301. Personal property brought into state -- assessment -- exceptions -- custom combine equipment. (1) Except as provided in subsections (2) through ~~(5)~~ (6), the following property in the following cases is subject to taxation and assessment for all taxes levied that year in the county in which it is located:

(a) personal property, excluding livestock, brought into this state at any time during the year that is used

in the state for hire, compensation, or profit;

(b) property belonging to an owner or user who is engaged in a gainful occupation or business enterprise in the state; or

(c) property that becomes a part of the general property of the state.

(2) The taxes on this property are levied in the same manner, except as otherwise provided, as though the property had been in the county on the regular assessment date, provided that the property has not been regularly assessed for the year in ~~some other~~ another county of the state.

(3) This section does not levy a tax against a merchant or dealer within this state on goods, wares, or merchandise brought into the county to replenish the stock of the merchant or dealer.

(4) Except as provided in 15-6-217, a motor vehicle that is brought into this state by a nonresident person temporarily employed in Montana and used exclusively for transportation of the person is subject to registration under 61-3-701.

(5) Agricultural harvesting machinery classified under class eight, licensed in another state, and operated on the land of a person other than the owner of the machinery under a contract for hire is subject to a fee in lieu of tax of \$35 for each machine for the calendar year in which the fee is collected. The machinery is subject to taxation under ~~class eight~~ 15-6-138 only if the machinery is sold in Montana.

(6) This section does not levy a tax on farm implements, as defined in 30-11-801, or construction equipment, as defined in 30-11-901, that is brought into the state under a purchase incentive rental program as defined in 15-6-202(4). The property is subject to taxation under 15-6-138 only if the property is sold in Montana or otherwise disposed of in the state."

Section 4. Effective date. [This act] is effective on passage and approval.

Section 5. Applicability. [This act] applies retroactively, within the meaning of 1-2-109, to property tax years beginning after December 31, 2008.

- END -

I hereby certify that the within bill,
HB 0487, originated in the House.

Chief Clerk of the House

Speaker of the House

Signed this _____ day
of _____, 2009.

President of the Senate

Signed this _____ day
of _____, 2009.

HOUSE BILL NO. 487
INTRODUCED BY MCNUTT, JONES

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